

## Message Text

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ACTION IO-13

INFO OCT-01 EUR-12 ISO-00 ABF-01 HEW-06 HUD-02 L-03 FRB-01

OMB-01 ITC-01 SP-02 USIA-15 AGR-10 AID-05 CIAE-00

COME-00 EB-07 INR-07 LAB-04 NSAE-00 OIC-02 SIL-01

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NEA-10 /138 W

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UNCLAS SECTION 1 OF 2 VIENNA 3363

E.O. 11652: N/A

TAGS: PFOR, OCON, UNIDO, EAID, EIND, ECIN

SUBJECT: TENTH SESSION, UNIDO INDUSTRIAL DEVELOPMENT BOARD:  
DELEGATION REPORT NO. 1

1. TENTH SESSION, UNIDO INDUSTRIAL DEVELOPMENT BOARD (IDB-X) CONVENED MORNING APRIL 20. PLENARY WAS PRECEDED BY BRIEF, INFORMAL HEADS OF DELEGATION MEETING WHERE DECISION TAKEN TO ELECT NEW CHAIRMAN OF IDB BUT DEFER ELECTION OF OTHER OFFICERS OF BUREAU FOR LATER CONSIDERATION (THUS PUTTING OFF QUESTION OF ELECTION OF CUBA AS VICE CHAIRMAN REPRESENTING GROUP C). PLENARY SUBSEQUENTLY ELECTED MEJDOUB (TUNISA) AS CHAIRMAN. PLENARY HEARD BRIEF WELCOMING ADDRESS BY EXECUTIVE DIRECTOR KHANE ON APRIL 20 AND BEGAN GENERAL DEBATE (AGENDA ITEM 4) ON APRIL 21 WITH 14 SPEAKERS.

2. EXEC. DIR'S OPENING ADDRESS POINTED UP THE IMPORTANCE OF TWO AGENDA ITEMS, NEGOTIATIONS AND CONSULTATIONS (ITEM 7) AND THE INDUSTRIAL DEVELOPMENT FUND (ITEM 6), TO THE ORGANIZATION'S FOLLOW-UP OF THE LIMA  
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DECLARATION AND PLAN OF ACTION AND RECOMMENDATIONS OF

SS VII. HE DESCRIBED THE PROPOSALS PUT FORWARD UNDER THESE AGENDA ITEMS AS CONSTITUTING MAJOR TOOLS IN IMPLEMENTING THE GOALS SET OUT IN THE LIMA DECLARATION AND AS INDISPENSIBLE INITIATIVES IN "MOULDING THE NIEO" AS IT AFFECTS INDUSTRIAL DEVELOPMENT. EXEC. DIR ALSO STRESSED IMPORTANCE BE ATTACHED TO COORDINATING ROLE OF UNIDO WITHIN UN SYSTEM, AND POINTED OUT THAT PROPOSALS OF GROUP OF EXPERTS ON RESTRUCTURING OF UN SYSTEM CONTAINED IN DOC. E/AC.62/9 WOULD TEND TO RESTRICT FUTURE ROLES OF SPECIALIZED AGENCIES, INCLUDING UNIDO, APPARENTLY IN CONFLICT WITH MANDATE GIVEN UNIDO IN LIMA DECLARATION AND PLAN, HE ALSO RECALLED THAT UNCTAD IV AND CIEC DISCUSSIONS WILL EMBRACE INDUSTRIALIZATION MATTERS OF IMPORTANCE TO UNIDO AND PLEADED WITH MEMBERS " TO OFFER CLEAR DIRECTIVES" TO THE VARIOUS ORGANIZATIONS TREATING QUESTIONS OF INDUSTRIALIZATION THAT WOULD AVOID CONFLICT WITH UNIDO'S COORDINATING ROLE.

3. PLENARY BEGAN GENERAL DEBATE MORNING APRIL 21 WITH FIVE SPEAKERS (UK, USSR, COMECON OBSERVER, CHINA AND PHILIPPINES). UK (CARR) GAVE BRIEF STATEMENT URGING HIGHER EFFICIENCY IN IMPLEMENTATION OF TECHNICAL ASSISTANCE, WHICH HE HELD TO BE ACTIVITY OF HIGHEST PRIORITY IN UNIDO, PARTICULARLY IN REDUCTION OF OVERHEAD COSTS; HE OFFERED TO FACILITATE DIRECT CONTACTS BETWEEN UNIDO STAFF AND SPECIALISTS OF UK MINISTRY OF OVERSEAS DEVELOPMENT AND PROPOSED, SUBJECT TO AVAILABILITY OF FUNDS, DIRECT UK PARTICIPATION WITH UNIDO IN SMALL-SCALE LABOR-INTENSIVE AGRO-INDUSTRIAL PROJECTS IN THE LEAST DEVELOPED COUNTRIES. USSR (EROFEEV), IN WELL-SERVING STATEMENT WITH HEAVY IDEOLOGICAL OVERTONE, PRAISED LDC'S "REJECTION OF COLONIALISM" AND OFFERED GLIMPSE OF THE WONDERS OF SOVIET SOCIALISM AS A MODEL FOR INDUSTRIAL DEVELOPMENT OF LDC'S; HE SAW UNIDO AS CATALYST IN INDUSTRIAL DEVELOPMENT OF LDC'S BUT REGRETTED IT RECEIVED ONLY "WINDOW'S MITE" TOTAL UN DEVELOPMENT FUNDING. HE CLAIMED THAT INDUSTRIAL DEVELOPMENT MUST ACCOMPANIED BY SOCIAL RESTRUCTURING AND CALLED UPON UNIDO TO AVOID UNCLASSIFIED

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ACTING AS MIDDLEMAN FOR SETTING UP CAPITALIST MONOPOLIES IN LDC'S AND TO PROTECT LDC'S FROM MALIGN INFLUENCES OF FOREIGN CAPITAL BY STRENGTHENING THEIR STATE SECTORS AND OFFERING ASSISTANCE IN SCIENTIFIC PLANNING. HE SAW USSR AS OFFERING COOPERATIVE AND CONSTRUCTIVE ALTERNATE TO CAPITALIST IMPERIALISM; IN FIELD OF TRANSFER OF TECHNOLOGY, FOR EXAMPLE USSR WAS READY TO ENGAGE IN FULL PROGRAM OF FACTORY TRAINING; HE BELIEVED THAT

GREATER USE SHOULD BE MADE OF USSR CONTRIBUTION TO UNDP FOR THAT PURPOSE. USSR WAS MOVING TOWARD OFFERING NEW TYPES OF ASSISTANCE FOR LDC'S, PARTICULARLY IN FIELD OF TRAINING IN SCIENTIFIC INDUSTRIAL PLANNING. COMECON OBSERVER (LASZLO ABELOVSKI), SETTING TONE FOR SUBSEQUENT SOCIALIST BLOC STATEMENTS, DESCRIBED COMECON AS VERY EFFECTIVE INSTRUMENT IN REGIONAL INDUSTRIAL PLANNING WHICH HAD RESULTED IN LEVELLING-OUT OF ECONOMIES OF MEMBERS THROUGH RAPID COMPLEMENTARY INDUSTRIALIZATION. IN ADDITION TO DIRECT ASSISTANCE PROVIDED TO LDC'S BY COMECON, IT OFFERED LDC'S CLEAR EXAMPLE OF RATIONAL REGIONAL PLANNING.

4. CHINA (YU PIE-WEN) GAVE NOW TRADITIONAL INTERPRETATION OF STRUGGLE OF LDC'S AGAINST SUPERPOWER HEGEMONY, WITH PARTICULAR HEAT DIRECTED AGAINST HYPOCRISY AND CYNICISM OF USSR IN ADOPTING LDC'S SLOGANS TO ADVANCE ITS OWN ENDS. HE CALLED UPON UNIDO TO INCREASE COOPERATION AMONG LDC'S AS MEASURE OF PROTECTION AGAINST "PLUNDER" OF SUPERPOWERS. PHILIPPINES (SIAZON) EXPRESSED CONCERN AT LARGE AMOUNT OF UNFULFILLED PROJECTS CARRIED FORWARD AND AT PROSPECT OF FURTHER SLOWDOWN IN IMPLEMENTATION IN 1976; HE WONDERED IF THIS MIGHT NOT BE DUE IN PART TO LACK OF MOTIVATION ON PART OF UNIDO STAFF. HE URGED THAT UNIDO INCREASE ITS MEAGER SHARE OF REGIONAL IPF'S AND USE RESIDUAL SOFT CURRENCIES CARRIED OVER IN TRUST FUNDS FOR PURCHASE OF EQUIPMENT FROM THE DONOR COUNTRIES. HE URGED UNIDO TO DEVELOP COMPREHENSIVE APPROACHES TO INDUSTRIAL DEVELOPMENT OF LDC'S; HE POINTED TO UNCTAD'S CONCEPTUAL ABILITIES AND RECALLED SUGGESTIONS THAT UNCTAD AND UNIDO BE MERGED; HE IMPLIED THAT UNIDO WOULD HAVE TO DEVELOP ITS OWN STRONG CONCEPTUAL UNCLASSIFIED

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BASE, AND AVOID AD HOC ACTIVITIES, TO PREVENT A STRENGTHENING OF MERGER SENTIMENT.

5. PLENARY AFTERNOON APRIL 21 HEARD STATEMENTS BY TUNISIA, ZAMBIA, CZECHOSLOVAKIA, NIGERIA, SWEDEN, FRG, INDONESIA, DENMARK AND AUSTRIA. TUNISIA (TNANI) CALLED FOR SYSTEM OF CONSULTATIONS EMBODYING GREATEST POSSIBLE FLEXIBILITY, AVOIDING RIGID "INSTITUTIONAL SCAFFOLDING." HE BELIEVED THAT UNIDO SHOULD CONCENTRATE ON SETTING UP REGIONAL AND SUB-REGIONAL ECONOMIC CONSULTATIVE ORGANIZATIONS SUCH AS SELA. HE BELIEVED THAT REDEPLOYMENT WAS IN INTEREST OF ALL MEMBERS, INCLUDING DC'S, AND CALLED FOR UNIDO TO APPLY IMAGINATIVE MEANS TO ASSIST TIN THAT GOAL. ZAMBIA (KAONA), OUTLINING SEVERE ECONOMIC CRISIS FACED BY ITS NON-DIVERSIFIED

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ACTION IO-13

INFO OCT-01 EUR-12 ISO-00 ABF-01 HEW-06 HUD-02 L-03 FRB-01

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ECONOMY, DESCRIBED NATIONAL MEASURES, INCLUDING INVESTMENT INCENTIVES, UNDERTAKEN BY ZAMBIA TO INCREASE AGRICULTURAL PRODUCTION, DEVELOP SELF-SUFFICIENCY IN RAW MATERIALS AND PROMOTE EXPORT INDUSTRIES. ZAMBIA LOOKED URGENTLY TO UNIDO FOR ASSISTANCE AND URGED THAT AFRICA BE GIVEN PRIORITY IN AID PROGRAMS. CZECHOSLOVAKIA (SEDIVY) REPLIED BRIEFLY TO CHINESE ATTACK ON USSR AND EXPRESSED PLEASURE THAT LIMA DECLARATION AND PLAN RECOGNIZED SHORTCOMINGS OF THE MARKET SYSTEM. HE NOTED THAT COMECON SYSTEM HELD GREAT VALUE AS EXAMPLE FOR UNIDO SYSTEM OF CONSULTATIONS, WHICH SHOULD BE CLOSELY LINKED TO IDB, PERHAPS THROUGH FORMATION OF SECTORAL SUB-GROUPS OF IDB. HE STRONGLY SUPPORTED SEPARATION OF UNIDO BUDGET BETWEEN VOLUNTARY CONTRIBUTIONS (TO BE APPLIED TO OPERATIONAL ACTIVITIES) AND ASSESSED CONTRIBUTIONS (TO BE DEVOTED EXCLUSIVELY TO HEADQUARTERS ACTIVITIES).

6. NIGERIA (JODA) HELD THAT ANY MENTION OF INTERNATIONAL LAW IN CONTEXT OF STATE'S INTERNAL SOVEREIGNTY TENDED LIMIT THAT SOVEREIGNTY. HE CALLED FOR ESTABLISHMENT

OF CODE OF CONDUCT FOR MNC'S, AND NOTED THAT, IN ABSENCE  
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OF CODE, LDC'S WOULD HAVE TO FIND MEANS PROTECT THEMSELVES.  
EVEN MORE THAN AID, HE BELIEVED, LDC'S NEEDED NEW CLIMATE  
OF COOPERATION TO BRING DREAMS TO FRUITION.  
SWEDEN (OSVALD) HELD THAT OPERATIONAL ACTIVITIES ARE  
UNIDO'S FIRST PRIORITY; ALL OTHER ACTIVITIES SHOULD BE  
DESIGNED TO SUPPORT THEM. WHILE SWEDEN SUPPORTED  
TRANSFORMATION OF UNIDO TO SA STATUS, EXCLUSION OF  
NEW UNIDO FROM ECOSOC AND GA SECOND COMMITTEE WOULD  
REQUIRE UNIDO DEVELOP ITS OWN PHILOSOPHY. PROPOSED  
SYSTEM OF CONSULTATIONS WAS OVERAMBITIOUS AND UNNECESSARILY  
CUMBERSOME, SHOWING MAJOR WEAKNESS IN DISREGARDING  
ROLE OF PRIVATE ECONOMIC OPERATIONS; SWEDEN SUGGESTED  
THAT IDB SET UP LIMITED NUMBER OF INDUSTRY SECTORAL  
COMMITTEES, INCLUDING PRIVATE SECTOR PARTICIPATNAS,  
EXPERIENCE OF WHICH, OVER PERIOD OF SEVERAL YEARS, WOULD  
FORM GUIDE TO FURTHER STEPS. FRG (MOLTRECHT), STRONGLY  
SUPPORTING MARKET SYSTEM, URGED UNIDO AVOID TRYING  
CONSTRUCT UTOPIAN MODELS FOR WORLD-WIDE INDUSTRIAL  
PRODUCTION. PROPOSED SYSTEM OF CONSULTATIONS WAS FAR  
TOO ABMITOUS AND IGNORED MECHANISMS GOVERNING MARKET  
ECONOMIES; HE URGED UNIDO ENGAGE IN CLOSER CONTACT WITH  
PRIVATE INDUSTRY. THE PROPOSED INDUSTRIAL DEVELOPMENT  
FUND SHOULD NOT BE DEALT WITH IN CONJUNCTION WITH S.A.  
CONSTITUTION FOR UNIDO; IF THAT CONSTITUTION DID NOT  
PROVIDE FOR CLEAR SEPARATION OF BUDGET BETWEEN  
HEADQUARTERS AND FIELD ACTIVITIES, FRG PARLIAMENT WOULD  
REJECT IT.

7. INDONESIA (SEDIONO) URGED CLOSE UNIDO/UNCTAD  
COOPERATION AND RAPID TRANSFORMATION OF UNIDO TO  
S.A. STATUS. HE ATTACHED SPECIAL IMPORTANCE TO  
EXPANSION OF UNIDO TRAINING PROGRAM, PARTICULARLY AT  
SENIOR MANAGEMENT LEVEL. DENMARK (OVERVAD)  
BELIEVED THAT ONLY SURE WAY OF AVOIDING FINANCIAL  
CRISES SUCH AS THAT FACING UNIDO IN 1976 WAS TO  
STRENGTHEN UNDP, NOT TO ENGAGE IN PROLIFERATION OF  
DEVELOPMENT FUNDS. UNIDO AND UNDP SHOULD COOPERATE  
ON FURTHER JOINT EVALUATION EXERCISES INTENDED TO  
MAXIMIZE EFFICIENCY. CONSIDERATION OF MACHINERY FOR  
UNIDO SYSTEM OF CONSULTATIONS, BASED ON VOLUNTARY  
PARTICIPATION, SHOULD BE PUT OFF UNTIL PRACTICAL  
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EXPERIENCE HAD BEEN GAINED. AUSTRIA (WOLTE) THOUGHT THAT NEW EFFORT OF POLITICAL WILL WOULD BE REQUIRED FOR UNIDO ACHIEVE SUCCESS AS S.A. REORGANIZATION OF UNIDO SECRETARIAT SHOWED SIGNS OF IMPROVING EFFICIENCY OF ORGANIZATION, BUT COMPLEXITY OF PROBLEMS OF INDUSTRIAL DEVELOPMENT WERE ILLUSTRATED BY PROPOSED SYSTEM OF CONSULTATIONS. HE WELCOMES EFFORTS BY EXECUTIVE DIRECTOR TO FIND NEW SOURCES OF FUNDING FOR UNIDO AND NOTED MODEST RISE IN AUSTRIAN VOLUNTARY CONTRIBUTION FOR 1976. STIBRAVY

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